



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

## Legislative Retirement Note

**Short Title:** Summer Learning Choice for NC Families.  
**Bill Number:** House Bill 82 (Third Edition)  
**Sponsor(s):** Representatives Moore, Elmore, Torbett, and Zenger

### SUMMARY TABLE

#### ACTUARIAL IMPACT OF H.B. 82, V. 3 (\$ in thousands)

	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
<b>State Impact</b>					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
<b>TOTAL STATE EXPENDITURES</b>	-	-	-	-	-

### ACTUARIAL IMPACT SUMMARY

Section 1.3 has a potential actuarial impact on retirement systems.

Systems Affected: Teachers' and State Employees' Retirement System (TSERS)

Section 1.3: Specifies that local school administrative units operating summer learning programs described elsewhere in the bill will employ teachers and other program employees on a temporary basis for which the employees do not earn retirement service credit. This section also reduces the six-month post-retirement separation period in TSERS to one month for work in the summer learning programs for those who retired on or after December 1, 2020, but on or before March 1, 2021. The section expires August 1, 2021.

Both Cavanaugh Macdonald, the actuary for the retirement systems, and Hartman & Associates, the actuary for the General Assembly, estimate that this section will have no material impact on the contribution rates or liabilities of TSERS.

### ASSUMPTIONS AND METHODOLOGY

The cost estimates of the actuaries are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2019 actuarial valuations, except where new assumptions based on the experience study completed in 2020 would have a material impact on the results. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:



Membership Statistics (as of 12/31/2019 unless otherwise noted, M = millions)	
	<u>TSERS</u>
Active Members	
Count	305,962
General Fund Compensation	\$11,166M (2020 session)
Valuation Compensation (Total)	\$16,112M
Average Age	45
Average Service	10.8
Inactive Members	
Count	183,347
Retired Members	
Count	228,291
Annual Benefits	\$4,804M
Average Age	71
New Retirees During 2020	11,000

Financial Statistics (as of 12/31/2019 unless otherwise noted, M = millions)	
	<u>TSERS</u>
Accrued Liability (AL)	\$84,873M
Actuarial Value of Assets (AVA)	\$73,354M
Market Value of Assets (MVA)	\$75,487M
Unfunded Accrued Liability (AL - AVA)	\$11,520M
Funded Status (AVA / AL)	86%
Required Employer Contribution for FY 2021-22 (as % of pay)	15.74%
Salary Increase Assumption (includes 3.50% inflation and productivity)	3.50% - 8.10%
Assumed Rate of Investment Return: 7.00%	
Cost Method: Entry Age Normal	
Amortization: 12 year, closed, flat dollar	
Demographic assumptions based on 2010-2014 experience, RP-2014 mortality, and projection of future mortality improvement with scale MP-2015	

Benefit Provisions	
	<u>TSERS</u>
Formula	1.82% x Service x 4 Year Avg Pay
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5
Employee contribution (as % of pay)	6%

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from the Fiscal Research Division.

## **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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Cavanaugh Macdonald Consulting, LLC, "Proposed Committee Substitute HB 82", February 23, 2021, original of which is on file in the General Assembly's Fiscal Research Division.

Hartman & Associates, LLC, "House Bill 82 Proposed Committee Substitute H82-CSRQfp-2 [v.8]: An Act to Establish School Extension Learning and Enrichment Programs to Mitigate the Impact of COVID-19 (Section 1.3)", February 22, 2021, original of which is on file in the General Assembly's Fiscal Research Division.

## **LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official actuarial analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described above. This document only addresses sections of the bill that have projected direct actuarial impacts on State or local government retirement systems and does not address sections that have no projected actuarial impacts.

## **CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

## **ESTIMATE PREPARED BY**

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David Vanderweide

## **ESTIMATE APPROVED BY**

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Fiscal Research Division  
February 24, 2021



**Signed copy located in the NCGA Principal Clerk's Offices**